

THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 06-122

ORDER OF NOTICE

On September 1, 2006, EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England (KeySpan), a public utility engaged in the business of distributing natural gas in 29 cities and towns in southern and central New Hampshire and in the City of Berlin, filed with the New Hampshire Public Utilities Commission (Commission) a petition to consolidate and increase KeySpan's short term debt limits to \$125 million. KeySpan's petition is in response to a finding by the Commission Audit Staff that KeySpan had outstanding short term debt of \$94,908,811 as of December 31, 2005, exceeding its authorized short term borrowing limit of \$15.5 million for fuel inventory financing and \$21 million for other short term purposes established in *EnergyNorth Natural Gas, Inc.*, 85 NH PUC 755, Order No. 23,593 (2000).

KeySpan's petition states that the Securities and Exchange Commission (SEC) has established a short term debt limit of \$125 million for KeySpan. (KeySpan states that with the repeal of the Public Utilities Holding Company Act, the short term debt limit established by the SEC is now administered by the Federal Energy Regulatory Commission.)

The petition asserts that the higher level of short term borrowing is necessary for the following reasons: natural gas commodity prices have increased dramatically and become more volatile; higher gas prices have increased KeySpan's working capital needs substantially and the level of uncollectible accounts; KeySpan's rate of return on invested capital has dropped, decreasing the internally generated funds available to finance KeySpan's ongoing operations;

and, KeySpan has utilized short term debt to pay off substantially higher cost long term debt, thereby reducing its overall cost of capital. If the petition is approved, KeySpan states it would then have a single short term borrowing limit with which to manage its operations. KeySpan asserts that the short term proposed borrowing limit is the same level that is currently set for purposes of regulation by the Federal Energy Regulatory Commission and a short term borrowing limit set below that amount would effectively render meaningless the limit set by federal regulators.

The filing raises, inter alia, issues related to whether the short term debt used to refinance the long term debt is properly characterized as short term debt; whether the requested consolidation of, and increase to, the short term debt limit is justified, considering, among other things, the impact of the requested increase in the short term borrowing limit on KeySpan's capital structure and overall cost of capital; whether the refinancing of long term debt with short term debt that increases interest rate risk is in the public interest; whether limits should be placed on the short term borrowing for specific purposes (for example, fuel inventory financing); whether the Commission may set borrowing limits different from that approved by federal regulators; and whether KeySpan has violated the terms of a Commission order and if so, what remedy or remedies should be ordered, including imposition of a penalty or fine. Each party has the right to have an attorney represent them at their own expense.

Based upon the foregoing, it is hereby

ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on June 7, 2007 at 10:00 a.m., at which each party will provide a preliminary

statement of its position with regard to the petition and any of the issues set forth in N.H. Admin. Rule Puc 203.15 shall be considered; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, KeySpan, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and any responses to Staff data requests, and allow KeySpan to provide any amendments or updates to its filing and any data responses; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, KeySpan shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than May 15, 2007, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before June 7, 2007; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to KeySpan and the Office of the Consumer Advocate on or before June 4, 2007, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32,I (b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before June 7, 2007.

By order of the Public Utilities Commission of New Hampshire this ninth day of
May, 2007.

Debra A. Howland
Executive Director & Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.